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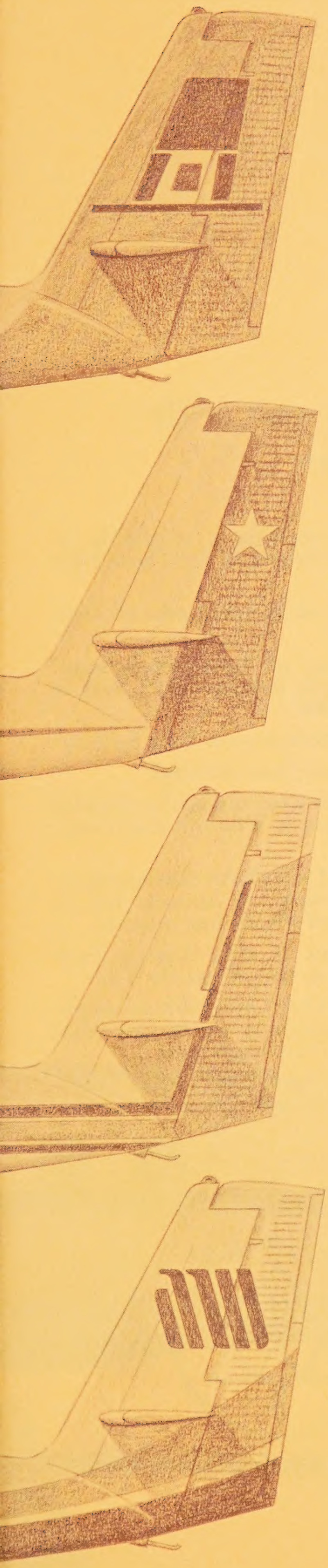
THE DE HAVILLAND AIRCRAFT OF CANADA, LIMITED
DOWNSVIEW, ONTARIO

ANNUAL REPORT 1966

Twin Otter order book

- Dept. of Lands and Forests of Ontario
- Pilgrim Airlines, New London, Conn.
- Atlas Aviation, Resolute Bay, N.W.T.
- ARAMCO, Saudi Arabia
- Transportes Aereos Terrestres, Mexico
- Shell Oil (Canada) Ltd., Calgary, Alta
- Chilean Air Force
- Air Wisconsin, Appleton, Wis.
- Trans Australia Airlines
- International Nickel Co. of Canada Ltd.
- Midwest Aviation, Winnipeg, Man.
- Windward Islands Airways, St. Maartens, N.A.
- General Air GmbH, Hamburg, Germany
- Harrah's Club, Las Vegas, Nevada
- Newfoundland Government
- Corporate Air Transport, Chicago, Ill.
- Chevron Standard, Calgary, Alta.
- Aeralpi, Italy
- Leeward Islands Air Transport, Antigua, W.I.
- Guyana Airways Corpn., Guyana
- Braathens S.A.F.E., Norway
- Wardair, Yellowknife, N.W.T.
- Royal Norwegian Air Force
- N.A.S.A. Commuter Airlines, Houston, Texas
- Pacific Architects & Engineers, Los Angeles, Cal.
- Northern Consolidated Airlines, Anchorage, Alaska
- Surinam Airways Corp., Surinam
- Miami Aviation, Miami, Florida
- Air California, San Francisco, Calif.
- Executive Airlines, Boston, Mass.
- Redbank Air Taxi, Redbank, N.J.

APR 26 1967



The 1966 annual report of
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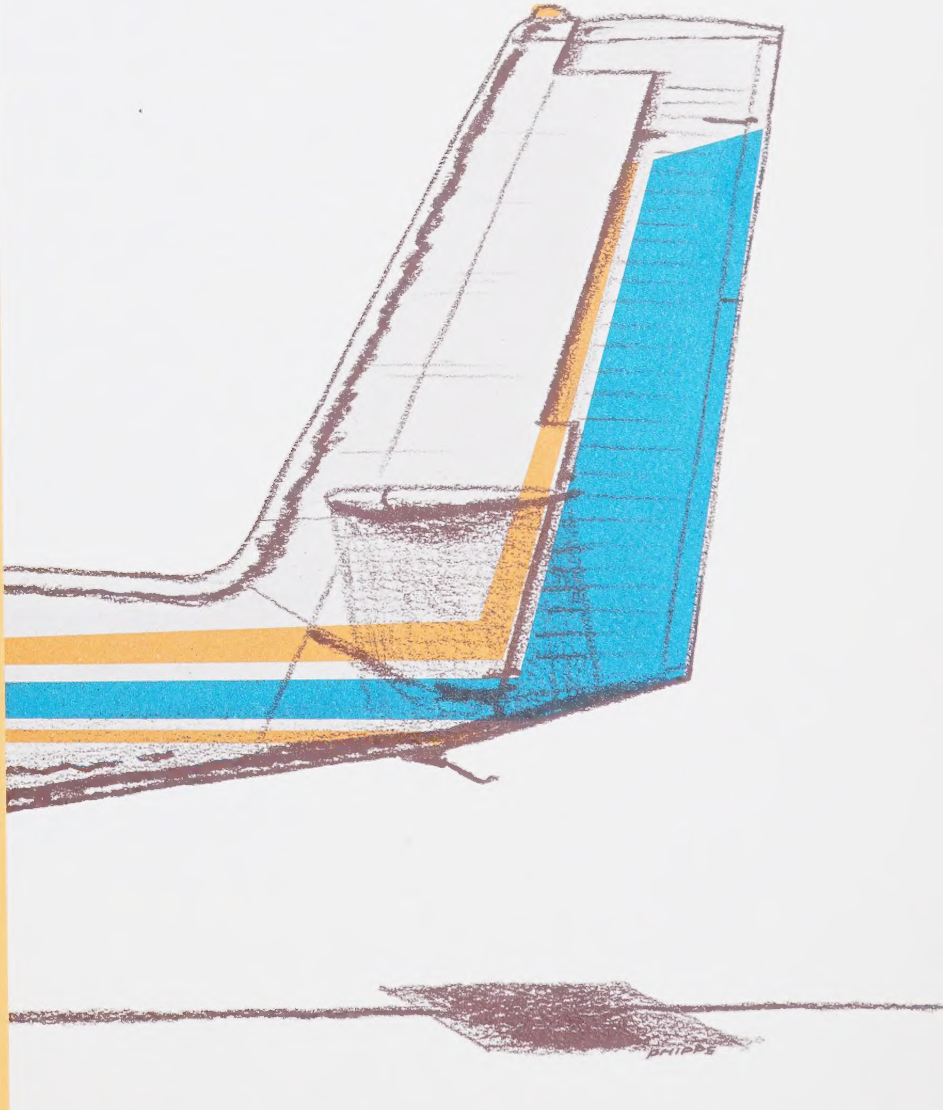


1966 — the year of the Twin Otter . . .

JANUARY. Responding to worldwide interest, initial production of 105 Twin Otters was authorized.

FEBRUARY. First European sales of Twin Otter confirmed.

APRIL. Certificate of Airworthiness issued. Twin Otter begins European Sales Tour at Hannover Airshow.

MAY. Twin Otter appears at Turin Airshow.

JUNE. First Twin Otter delivered.

JULY. One Twin Otter departs for extended demonstration tour of Western United States of America.

SEPTEMBER. Twin Otters demonstrate at Farnborough Airshow, in Australia and 13 North African and Middle East countries.

OCTOBER. First of eight military Twin Otters delivered to the Chilean Air Force.

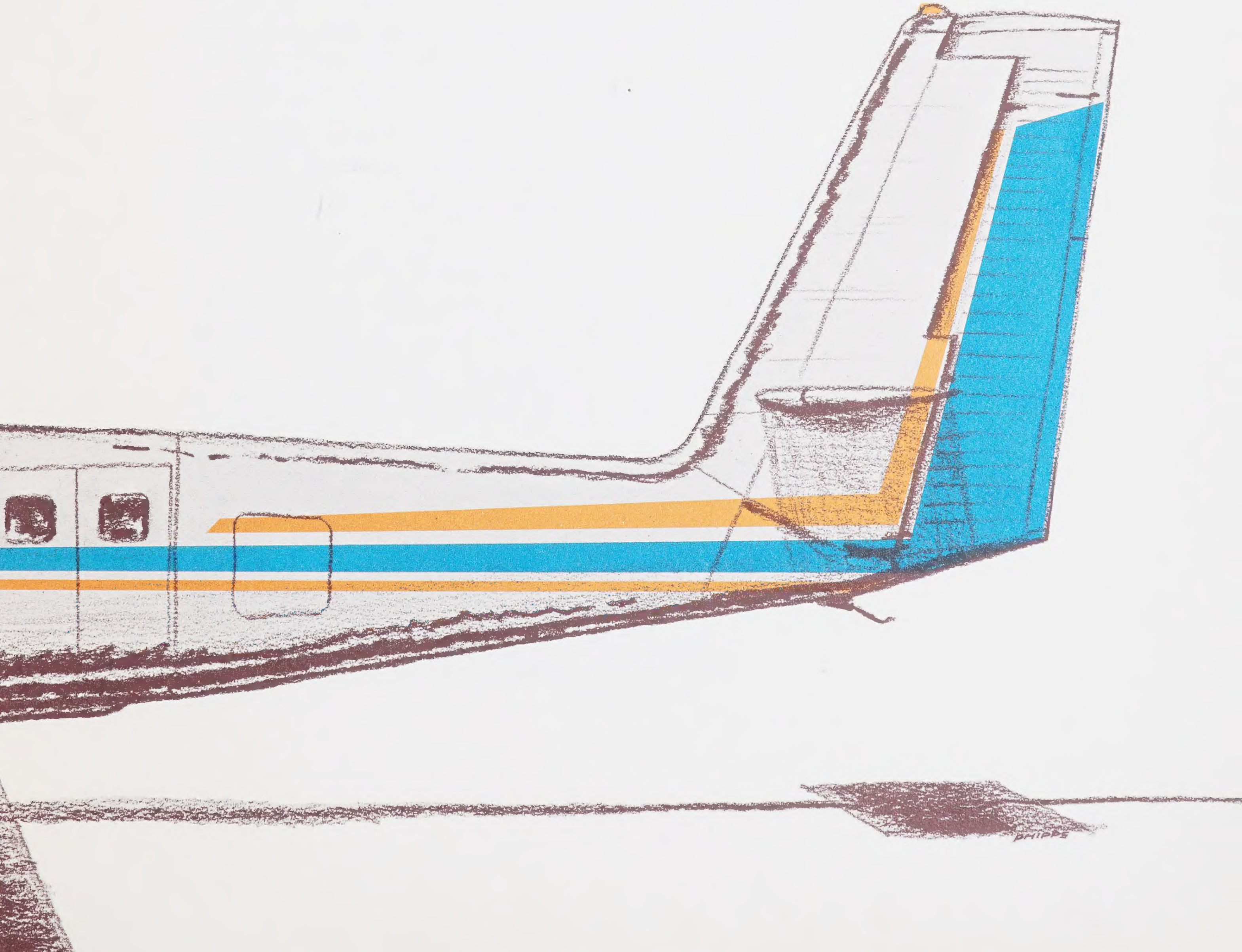
NOVEMBER. Twin Otter lands passengers on Manhattan waterfront, proving feasibility of commercial STOL application.

DECEMBER. Twin Otter tours Latin America. Sales soar past the 50 mark.

Centennial of Canadian Confederation 1867 1967 Le Centenaire de la Confédération Canadienne

APR 26 1967

The 1966 annual report of the de Havilland Aircraft of Canada, Limited



THE DE HAVILLAND AIRC
AND SUBSIDIA

CONSOLIDATED BALANCE

ASSETS

	1966	1965
Current Assets:		
Cash	$ 14,378	$ 16,770
Accounts receivable	7,297,556	11,325,976
Due from affiliated companies	209,468	241,392
Inventories, at the lower of cost and realizable value (Note 1)	26,041,302	21,750,224
Prepaid expenses	192,246	118,100
	33,754,950	33,452,462
Non-Current Accounts Receivable	3,479,913	3,032,358
Fixed Assets, at cost:		
Land, buildings and property improvements	20,085,126	19,936,364
Machinery and equipment	7,665,183	6,939,019
Automotive equipment and aircraft	1,609,229	2,050,723
	29,359,538	28,926,106
Less accumulated depreciation	17,635,891	17,542,052
	11,723,647	11,384,054
Patents and Manufacturing Rights, at nominal value	2	2
	$48,958,512	$47,868,876

See accompanying notes to co

Approved on be

T. J. EMMERT, Director

AFT OF CANADA LIMITED
Y COMPANIES

SHEET DECEMBER 31, 1966

LIABILITIES

	1966	1965
Current Liabilities:		
Bank advances (Note 2)	$18,127,261	$15,433,437
Accounts payable and accrued charges	10,417,835	7,391,884
Due to affiliated companies	106,057	239,091
Deposits on sales contracts	1,654,951	1,309,080
Income and other taxes	867,432	4,274,503
	31,173,536	28,647,995
Deferred Income Taxes	1,060,000	1,060,000

SHAREHOLDERS' EQUITY

	1966	1965
Capital Stock (Note 4):		
Authorized —		
50,000 Class A shares without par value		
10,000 Class B common shares without par value		
Issued —		
32,000 Class A shares 10,000 Class B common shares	306,000	306,000
Retained Earnings (Note 5)	16,418,976	17,854,881
	16,724,976	18,160,881
	$48,958,512	$47,868,876

olidated financial statements.

lf of the Board:

W. B. BOGGS, Director

Hawker Sidd
Doses

Consolidated Statement of Income and Retained Earnings for the Year ended December 31, 1966

	1966	1965
Sales	$ 60,688,288	$127,088,872
Cost of sales, including research and development, and all expenses except items shown below	64,518,105	126,911,472
Interest on bank advances	1,006,091	1,737,186
Provision for depreciation	1,029,265	1,739,432
	66,553,461	130,388,090
Loss before income tax credits	(5,865,173)	(3,299,218)
Income tax credits (Note 6)	3,369,000	1,650,000
Loss for the year	(2,496,173)	(1,649,218)
Retained earnings at beginning of year (Note 5)	17,854,881	19,504,099
	15,358,708	17,854,881
Profit on sale of land	1,060,268	—
Retained earnings at end of year	$ 16,418,976	$ 17,854,881

Notes to Consolidated Financial Statements December 31, 1966

	1966	1965
1. Inventories:		
Raw materials, parts and supplies	$ 13,385,319	$ 9,923,451
Work in process	18,020,504	13,233,197
Finished aircraft	7,668,177	2,812,996
	39,074,000	25,969,644
Less progress payments	13,032,698	4,219,420
	$ 26,041,302	$ 21,750,224

2. Bank advances are secured by assignment of inventories, a general assignment of accounts receivable and, as collateral security, by the pledge of demand debentures issued since December 31, 1966.

3. Since December 31, 1966 the Company has borrowed $4,000,000 on an 8% first mortgage. Principal payments of $350,000 are required on February 1 and August 1 in 1968, 1969 and 1970 and the balance is due December 1, 1970.

4. While the first mortgage is outstanding (see Note 3) no dividends can be paid on the capital stock of the Company without the consent of the mortgagee.

The Class A shares and Class B common shares rank equally in all respects except that, when dividends are paid, the Class A shares are entitled to a non-cumulative preferential dividend of $2.00 per share in any year. After payment of such a dividend both classes of shares rank equally as to dividends.

5. Appropriations of retained earnings in prior years for a provision for contingencies of $450,000 and a reserve fund of $9,000,000 were transferred back to retained earnings in 1966. For comparative purposes, these amounts have been similarly reclassified in the consolidated financial statements for 1965.

6. The 1966 income tax credit represents the reduction in income taxes payable for 1965 by reason of the carry-back of the taxable loss for 1966. Despite the reported loss in 1965, the recovery in that year of deferred development expenses previously claimed for tax purposes resulted in estimated income taxes payable of $3,584,594.

7. In 1965 the Company made arrangements with Douglas Aircraft Company Inc. (Douglas Inc.) and Douglas Aircraft Company of Canada Ltd. (Douglas Canada) whereby Douglas Canada assumed the development and manufacture of DC-9 aircraft components previously undertaken by the Company. Under the terms of the agreement the Company is to receive $115,000 U.S. for each set of aircraft components in excess of 200 and up to 300 delivered to Douglas Inc. It is expected that the majority of these sets will be delivered during the latter half of 1967. Additionally, the Company is to receive $10,000 U.S. on each set delivered from 301-400, $5,000 U.S. on each set delivered from 401-500 and, as long as Douglas Canada is leasing and using de Havilland's Malton plant, $5,000 U.S. on each set delivered in excess of 500.

8. Pension costs are charged against income in the year of payment. Unfunded past service pension costs, estimated to be approximately $4,000,000 at December 31, 1966, are being funded by annual payments over twenty-five years.

9. The remuneration of directors, certain of whom are also officers of the Company, amounted to $280,746 in 1966.

Auditors' Report

To the Shareholders of
The de Havilland Aircraft of Canada, Limited:

We have examined the consolidated balance sheet of The de Havilland Aircraft of Canada, Limited and subsidiary companies as at December 31, 1966 and the consolidated statement of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of The de Havilland Aircraft of Canada, Limited and its subsidiary companies as at December 31, 1966 and the results of their operations for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada.
March 15, 1967.

PRICE WATERHOUSE & CO.
Chartered Accountants

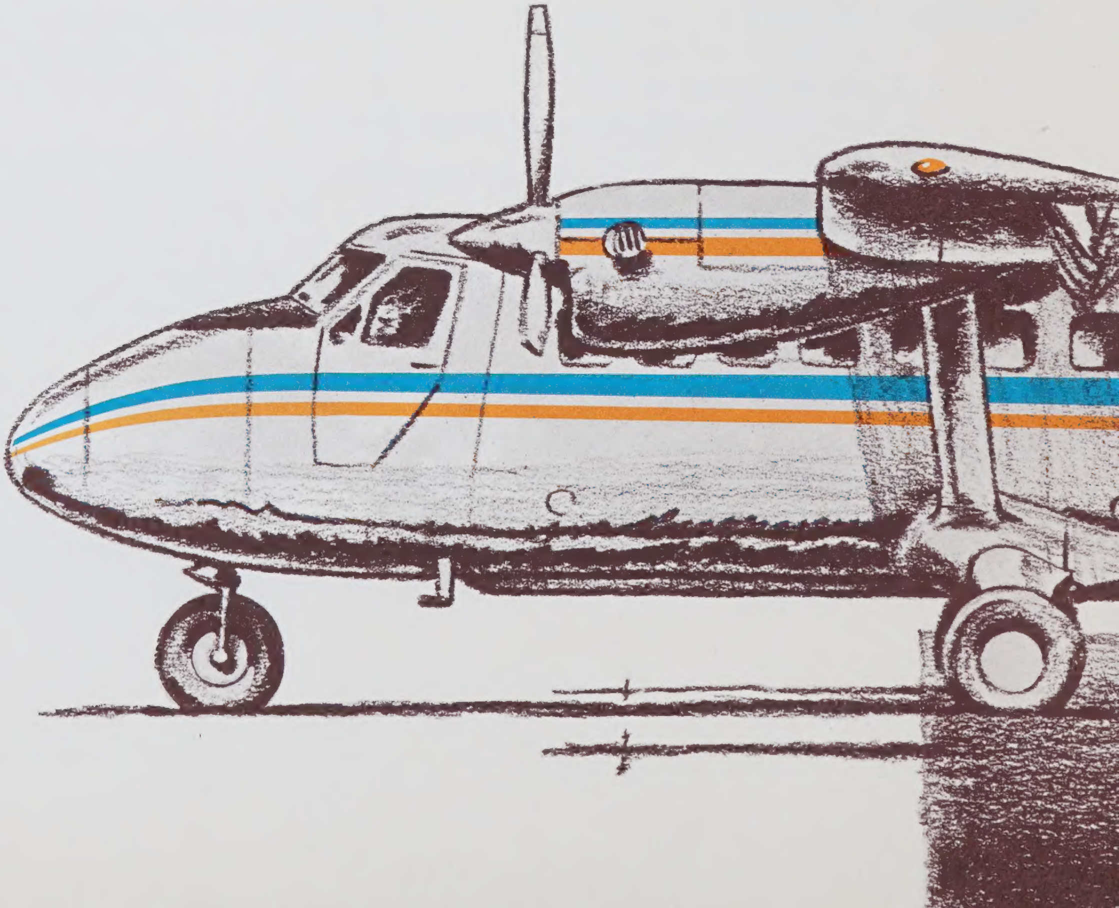
Company Aerospace Activities

The DHC-2 Mk. III Turbo-Beaver, turbine powered successor to the famous piston engined Beaver, displays the outstanding STOL (short take-off and landing) characteristics common to all de Havilland Canada aircraft. Powered by a United Aircraft of Canada PT6A-6 turbine engine, the Turbo-Beaver is widely employed in forest conservation and fire protection, exploration and survey work, and in a variety of utility roles.

The DHC-6 Twin Otter has gained wide acceptance since its certification in April, 1966. Already flying with operators from the Canadian Arctic to New Guinea this versatile, turbine powered twin has proved popular with both civil and military customers. Powerplants are PT6A-20 free gas-turbines built by United Aircraft of Canada.

The DHC-5 Buffalo was developed as a joint project by the United States Government, the Canadian Government and de Havilland Canada. The four prototype aircraft are now in the inventory of the United States Air Force. Production Aircraft are on order for the Royal Canadian Air Force and the Brazilian Air Force. Powered by two General Electric T-64 turbine engines the Buffalo carries payloads of 6½ tons.

Space hardware, developed by de Havilland Canada's Special Products and Applied Research Division, has found application on almost every major U.S. space programme. An unfurlable boom was used to extend the radar transponder from the Agena docking vehicle for the first successful space docking manoeuver. Similar unfurlable devices were used as antennae throughout the Gemini program for voice communication during orbital flight and recovery.



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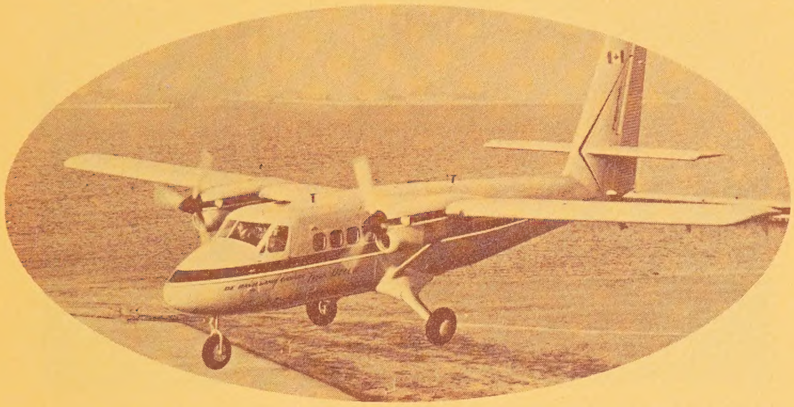
DE HAVILLAND CANADA



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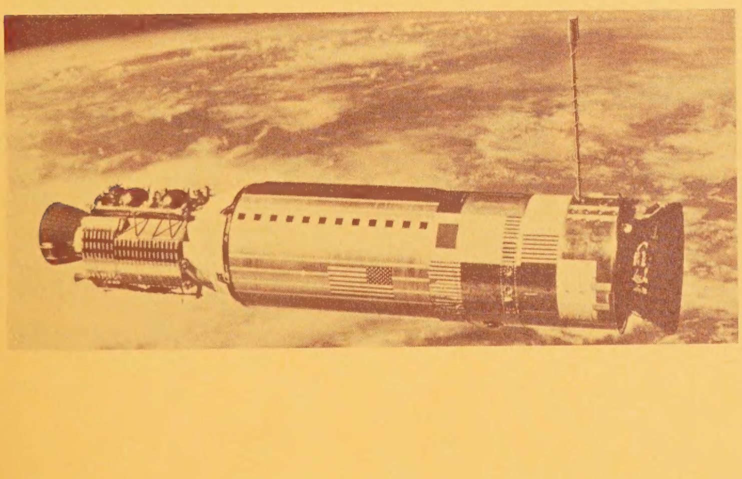
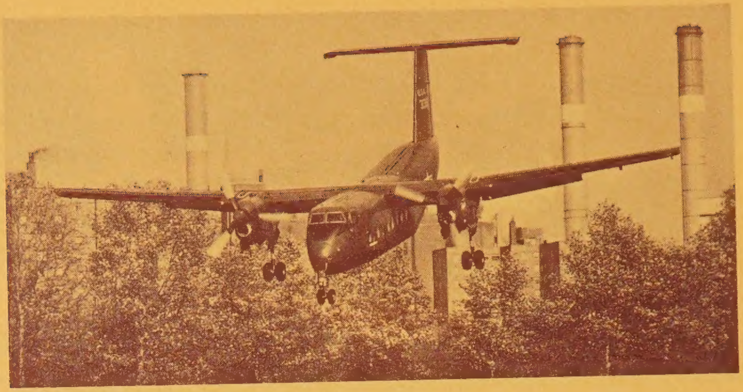
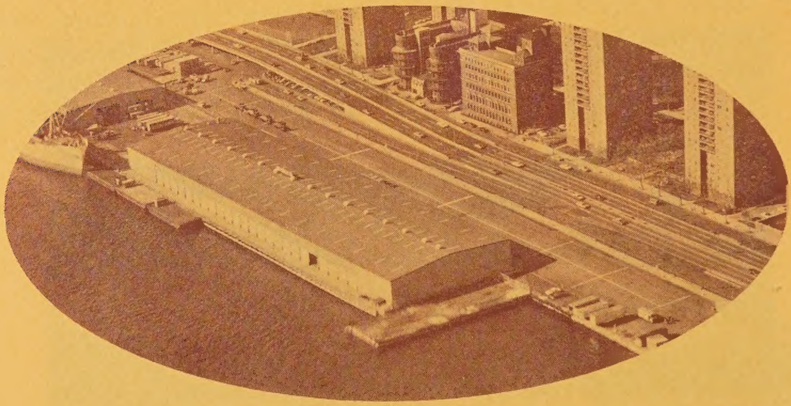
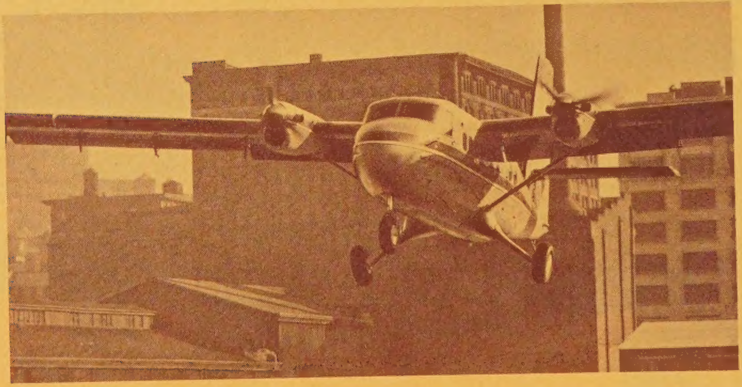


Company Aerospace Activities







On November 5, Manhattan got its first airfields

Metro Air Support '66 marked a major milestone in the use of STOL (short take-off and landing) aircraft to help solve transportation problems in metropolitan areas. Three of de Havilland Canada's STOL aircraft — the Buffalo, Twin Otter and Turbo-Beaver — participated in this exercise sponsored by the Federal Aviation Agency and the City of New York. Objectives of the exercise were:

To bring to the attention of municipal planners the need for fast and convenient means of travel to and from Manhattan.

To encourage private organizations and public agencies to consider waterfront locations for development of facilities for STOL commuter operations.

To use the findings of the demonstration to help provide answers to long term commercial aviation needs in New York and similar metropolitan areas.

By far the biggest fixed wing aircraft in the exercise, the 20 ton DHC-5 Buffalo was a feature performer at the East River Park location where a recreation area adjacent to a large public housing project was used as a landing strip. Approaching over 40 ft. barrier of trees the Buffalo made use of a landing area only 1000 ft. in length by 250 ft. wide.

A 1200 ft. section of South Street, located between a warehouse and a four-lane highway, was used for a number of landings by both the Turbo-Beaver and Twin Otter. During this part of the exercise the Twin Otter carried full, 14 passenger loads and in one mission the Turbo-Beaver carried a complete auxiliary generator unit weighing over 1,400 lb.

Pier 26 on the Hudson River side of Manhattan was the busiest site of the exercise. Offering a useful strip only 900 ft. in length the pier was used by a variety of single engine STOL aircraft, including the Turbo-Beaver. However, the fully loaded Twin Otter was the only twin engine aircraft to make use of the site, proving the feasibility of commuter services into waterfront "STOLports".

Metro Air Support '66, as the exercise was called, provided conclusive evidence in support of the role which STOL aircraft are destined to play in overall air transport systems of the future.

de Havilland Canada

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